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STATE FOR EUR/SCE (PFEUFFER) AND H (HELEN KIM)

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SUBJECT: MACEDONIA: SCENESETTER FOR STAFFDEL KILLION'S  
APRIL 4 VISIT

11. (SBU) Welcome to Macedonia! Your visit to Skopje will give you the chance to hear the Macedonian perspective on Kosovo, to share your findings with high-level government and ethnic Albanian political leaders, and to deliver some important messages to the Macedonian government (GOM) on steps they need to take to strengthen their NATO membership candidacy.

#### CORE MESSAGES

##### --On Kosovo:

Continue constructive support for Ahtisaari plan, maintain low-profile public position on border demarcation (which is adequately addressed in the Ahtisaari plan). We understand that Macedonia will be neither among the first, nor among the last to recognize Kosovo's independence.

##### --On NATO accession:

Need to work toward broad political consensus for implementing reforms required for NATO and EU membership. U.S. supports your NATO aspirations, but you must meet membership criteria.

##### --On political dialogue:

Pursue and sustain compromise and consensus-building with opposition parties, especially ethnic Albanian DUI party, on key legislation and implementation of reforms, including Ohrid Framework Agreement implementation.

##### --On the name issue:

Avoid provoking Greece. Continue to work through UN process on a mutually acceptable compromise.

#### POLITICAL CONTEXT -- DIALOGUE INCHES FORWARD

12. (SBU) The inter-ethnic (ethnic Macedonian and ethnic Albanian) governing coalition headed by Prime Minister Gruevski's VMRO-DPMNE party was sworn-in on August 26. From the beginning, the GOM was unable to find a way to work effectively with the ethnic Albanian DUI party, which won the majority of eAlbanian votes in the July parliamentary elections but was not included in the governing coalition.

(NOTE: Having won the majority of eAlbanian votes, DUI considers itself "out of government" but not/not in the "opposition.")

¶3. (SBU) Following US and EU-facilitated talks between the leaderships of VMRO-DPMNE and DUI in early March, there was some modest improvement in political dialogue between the parties. Working group consultations between VMRO-DPMNE and DUI (with U.S. and EU presence as observers) are underway to find a compromise on key legislative initiatives. Both parties have failed to make all the efforts necessary to reach a real compromise, but DUI in particular seems entrenched in its positions and unwilling to engage in genuine negotiations.

#### FRAMEWORK IMPLEMENTATION -- MISSION NOT YET ACCOMPLISHED

¶4. (U) The government has stated its commitment to full implementation of the 2001 Framework Agreement (FWA) that ended the inter-ethnic conflict in Macedonia that same year. In fact, all FWA-required legislative requirements have been met, most having been passed by the previous government. Implementation of decentralization (the devolution of power from the central government to local governments), and of equitable representation of ethnic minorities in public administration, was launched successfully over a year ago. The challenge for this government is to build on what was achieved by its predecessor and to fully implement decentralization without excessive partisanship in the allocation of jobs or funds. Several FWA-related projects -- including a law on languages -- remain to be completed, and the government must demonstrate results in implementing FWA-related reforms.

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#### NATO AND EU MEMBERSHIP -- REFORMS MUTUALLY REINFORCING

¶5. (SBU) The government has stated its commitment to NATO and EU membership as top foreign policy priorities, and is supported by opinion polls showing 90 percent or higher public support for membership in both organizations. Nevertheless, the difficulty the government has shown in managing effectively intra-coalition and government-opposition relations has hampered initial progress on the rule of law, judicial reform, and other political and economic criteria Macedonia needs to fulfill to be considered a strong candidate for membership in either organization.

¶6. (SBU) Macedonia could be a competitive candidate for a NATO invitation at the next enlargement summit, given its strong performance on defense reforms and its contributions to NATO operations in Afghanistan. Government interlocutors need to hear, however, that to achieve that goal the GOM must work effectively with DUI to overcome the current political impasse and find a mechanism for building broad consensus with opposition members for economic and other NATO-related reforms. In addition, the government must show concrete results in fighting corruption in a non-partisan manner, redouble efforts to combat trafficking in persons, and pass a religious freedom law that guarantees all religious communities and groups the right to register and worship freely in Macedonia.

¶7. (SBU) Although Macedonia received EU candidate status in December 2005, it has yet to receive an invitation from Brussels to begin accession negotiations. The government received an assessment from the EU in early November 2006 on its progress in meeting the EU acquis. That EU assessment pointed to the need for political consensus in pursuing reforms, especially in police and judicial reforms; continued implementation of the FWA; and the need to show results in

combating corruption as some of the challenges the country will need to overcome before it can expect to begin EU accession negotiations.

#### KOSOVO FINAL STATUS -- BORDER DEMARCATION AND TIMING OF RECOGNITION

18. (SBU) The government's position on Kosovo final status has been closely aligned with ours -- support for UN Special Envoy Ahtisaari's plan for Kosovo status, which adequately resolves the question of demarcation of the Macedonia-Kosovo border. (NOTE: The border was delineated, but not demarcated, in a 2001 agreement between Belgrade and Skopje, which Pristina rejects due to the fact that some of Kosovo's territory was ceded to Macedonia in that agreement.) Relations overall are good, with regular meetings between Skopje and Pristina and an interim free trade agreement signed between Macedonia and UNMIK/Pristina in 2005. The GOM has indicated it does not want to rush a decision on recognition of an independent Kosovo. At the same time, it is determined not to be among the last countries to do so, given the importance of gaining Pristina's confidence prior to beginning the process of border demarcation.

#### NAME DISPUTE -- CONTINUE UN PROCESS

19. (SBU) Discussions between Greece and Macedonia on the dispute over the latter's right to use its constitutional name -- Republic of Macedonia -- continue under UN auspices. The GOM has reiterated its "dual name" proposal (a mutually agreed upon name for use in bilateral relations with Greece, and the constitutional name for all other bilateral relations and for use in multilateral fora) as the basis for further discussions with the Greek government. Athens has rejected that proposal. The USG recognized Macedonia's constitutional name in 2004 for use in our bilateral relations. We continue to urge both sides to be flexible and to work toward compromise on this sensitive issue through participation in the talks under UN auspices in New York.

#### ECONOMIC GROWTH -- NEED STABLE POLITICAL BASE

110. (SBU) PM Gruevski's top-priority goal is fostering

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economic growth and development, a goal we share. The GOM is aiming for a 6-8 percent annual GDP growth rate during its mandate, compared to the approximately 4.0 percent rate it inherited from the previous government. The government hopes to achieve that growth rate through tax cuts and a flat tax, through fiscal stimulus, and by attracting foreign direct investment. Overall, the macro-economic climate remains positive, with low inflation and a stable exchange rate. A US firm (Milwaukee-based Johnson Controls) recently broke ground for the first major greenfield investment in Macedonia's free trade zone near Skopje, a promising investment "coup" for Macedonia. Nevertheless, the government should accept that more robust economic growth requires the political stability that will accompany improved inter-ethnic relations and a more consensus-based approach to implementing reforms.

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